



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
MORGAN COUNTY
SHERIFF'S SETTLEMENT – 1997 TAXES**

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Sid Stewart, Morgan County Judge/Executive
Honorable Bill Frank Lacy, Sheriff
Members of the Morgan County Fiscal Court

The enclosed report prepared by Donna Bouvier, Certified Public Accountant, presents the Morgan County Sheriff's Settlement – 1997 Taxes.

We engaged Donna Bouvier, CPA, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Donna Bouvier, CPA, evaluated the Morgan County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", written over a horizontal line.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Enclosure

MORGAN COUNTY
SHERIFF'S TAX SETTLEMENT - 1997 TAXES
AND
1997 UNMINED COAL TAXES

September 9, 1998

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To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Sid Stewart, County Judge/Executive
Honorable Bill Frank Lacy, Sheriff
Members of the Morgan County Fiscal Court

Independent Auditor's Report

I have audited the Morgan County Sheriff's Tax Settlement-1997 Taxes and 1997 Unmined Coal Taxes as of September 9, 1998. These tax settlements are the responsibility of the Morgan County Sheriff. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted government auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The Sheriff prepares his financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statements are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In my opinion, the accompanying financial statements referred to above present fairly, in all material respects, the Morgan County Sheriff's taxes charged, credited, and paid as of September 9, 1998, in conformity with the basis of accounting described in the preceding paragraph.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Sarah Jane Schaaf, Secretary, Revenue Cabinet
Honorable Sid Stewart, County Judge/Executive
Honorable Bill Frank Lacy, Sheriff
Members of the Morgan County Fiscal Court
(Continued)

In accordance with Government Auditing Standards, I have also issued a report dated November 19, 1999, on my consideration of Morgan County Sheriff's compliance with certain laws and regulations and internal control over financial reporting.

Donna Bouvier
Certified Public Accountant

November 19, 1999

MORGAN COUNTY
SHERIFF'S TAX SETTLEMENT - 1997 TAXES

September 9, 1998

	County	Special Taxing Districts	School Taxes	State Taxes
<u>Charges</u>				
Real Estate	\$ 91,038	\$ 310,809	\$ 566,141	\$ 223,327
Tangible Personal Property	10,334	36,183	72,645	57,180
Intangible Personal Property	-	-	-	15,481
Fire Protection	3,479	-	-	-
Franchise Corporation	8,569	29,832	53,846	-
Bank Shares	19,180	-	-	-
Additional Billing	64	218	398	157
Limestone, Sand and Gravel	69	237	432	170
Penalties	1,536	5,087	9,262	3,752
Adjusted to Sheriff's Receipt	(20)	(49)	(7,686)	(1)
Gross Chargeable to Sheriff	\$ 134,249	\$ 382,317	\$ 695,038	\$ 300,066
<u>Credits</u>				
Discounts	\$ 1,614	\$ 4,071	\$ 7,400	\$ 3,715
Exonerations	689	2,346	4,273	1,686
Delinquents:				
Real Estate	5,195	17,193	31,318	12,354
Tangible Personal Property	112	394	791	790
Intangible Personal Property	-	-	-	44
Uncollected Franchise	246	804	1,536	-
Total Credits	\$ 7,856	\$ 24,808	\$ 45,318	\$ 18,589
Net Tax Yield	\$ 126,393	\$ 357,509	\$ 649,720	\$ 281,477
Less: Commissions*	5,659	15,194	25,989	12,250
Net Taxes Due	\$ 120,734	\$ 342,315	\$ 623,731	\$ 269,227
Taxes Paid	120,966	342,124	623,464	269,170
Due Districts or (Refunds Due Sheriff) as of Completion of Fieldwork	\$ (232)	\$ 191	\$ 267	\$ 57
		**		

* and ** See Page 4

MORGAN COUNTY
SHERIFF'S TAX SETTLEMENT - 1997 TAXES
September 9, 1998
(Continued)

* Commissions:

10% on \$ 10,000
4.25% on \$755,379
4% on \$649,720

** Special Taxing Districts:

Library District	\$ 44
Health District	27
Extension District	48
Soil Conservation District	5
Ambulance District	<u>67</u>

Due Districts	\$ 191
	=====

The accompanying notes are an integral part of the financial statement.

MORGAN COUNTY
SHERIFF'S TAX SETTLEMENT - 1997 UNMINED COAL TAXES

September 9, 1998

	County	Special		School		State
	<u>Taxes</u>	<u>Taxing</u>		<u>Taxes</u>		<u>Taxes</u>
		<u>Districts</u>				
<u>Charges</u>						
Sheriff's Official Receipt						
for Unmined Coal	\$ 2	\$ 7		\$ 12		\$ 5
Gross Chargeable to Sheriff	\$ 2	\$ 7		\$ 12		\$ 5
Less: Commissions	-	-		-		-
Net Taxes Due	\$ 2	\$ 7		\$ 12		\$ 5
Taxes Paid	2	7		12		5
Refunds Due Sheriff as of Completion						
of Fieldwork	\$ -	\$ -		\$ -		\$ -

The accompanying notes are an integral part of the financial statement.

NOTES TO FINANCIAL STATEMENTS

MORGAN COUNTY
NOTES TO FINANCIAL STATEMENTS

September 9, 1998

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is utilized to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

Kentucky Revised Statute 66.480 authorizes the Sheriff's office to invest in obligations of the U.S. Treasury, in bonds or certificates of indebtedness of this state and its agencies, savings and loan associations insured by an agency of the government of the United States up to the amount so insured, interest-bearing deposits in state or national banks chartered in Kentucky and insured by an agency of the United States up to the amount so insured, and in larger amounts providing such bank pledges as security obligations equal to uninsured amounts.

MORGAN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
September 9, 1998
(Continued)

NOTE 2: DEPOSITS

The Sheriff maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The Sheriff met the requirements stated above, and as of September 9, 1998, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

NOTE 3: PROPERTY TAXES

The real and personal property tax assessments were levied as of January 1, 1997. Property taxes were billed to finance governmental services for the year ended June 30, 1998. Liens are effective when the tax bills become delinquent. The collection period for these assessments was November 1, 1997, through September 9, 1998.

1997 Unmined Coal Taxes

The tangible property tax assessments are levied as of January 1, 1997. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was March 1, 1998, through March 31, 1998.

NOTE 4: INTEREST INCOME

The Morgan County Sheriff earned \$2,096 as interest income on 1997 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office.

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Sid Stewart, County Judge/Executive
Honorable Bill Frank Lacy, Sheriff
Members of the Morgan County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

I have audited the Morgan County Sheriff's Tax Settlement -1997 Taxes and 1997 Unmined Coal Taxes as of September 9, 1998, and have issued my report thereon dated November 19, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Morgan County Sheriff's Tax Settlement-1997 Taxes and 1997 Unmined Coal Taxes as of September 9, 1998, are free of material misstatement, I performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Morgan County Sheriff's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Honorable Sid Stewart, County Judge/Executive
Honorable Bill Frank Lacy, Sheriff
Members of the Morgan County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Donna Bouvier
Certified Public Accountant

November 19, 1999